

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	



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June 16, 2005

To the Fire Board
Lake Odessa Fire Department
Ionia County, Michigan

We have recently completed an audit of the financial statements of the Lake Odessa Fire Department, Ionia County, Michigan for the year ended March 31, 2005. During the course of the audit, the following item came to our attention, which requires further comment.

The Fire Department Has Not Adopted A Credit Card Policy

During the course of the audit it was noted that the Fire Department's credit card is left at a local gas station for the fire trucks to fill their gas tanks after fire runs. In addition, it was noted that the Fire Department has failed to adopt a credit card policy.

P.A. 1998 states that a local unit shall not be a party to a credit card agreement unless the governing body of the local unit has adopted by resolution a written policy that provides several important factors regarding the use and control of the credit card.

It is recommended that the Fire Department prepare and adopt a written credit card policy in accordance with the guidelines set forth in P.A. 1998. A credit card cannot be left at the local gas station where unauthorized sales could take place. In addition, the Fire Chief should examine all credit card invoices prior to approval for payment.

We would like to take this opportunity to thank the Lake Odessa Fire Department and Fiscal Agent for the cooperation and courtesy extended to us during the audit. If you have any questions or need assistance, do not hesitate to contact us.

Walker, Fluke & Sheldon, PLC

LAKE ODESSA FIRE DEPARTMENT
FINANCIAL STATEMENTS
For the year ended March 31, 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Lake Odessa Fire Department
Ionia County, Michigan

We have audited the accompanying basic financial statements of Lake Odessa Fire Department, Ionia County, Michigan, as of March 31, 2005 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of Lake Odessa Fire Department's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Lake Odessa Fire Department, as of March 31, 2005, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in the notes to the financial statements, the Fire Department has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of April 1, 2004.

The management discussion and analysis and required supplementary information list in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit the information and express no opinion on it.

Hastings, Michigan
June 16, 2005

Walker, Fluke & Sheldon, PLC

Lake Odessa Fire Department's Management Discussion and Analysis

As the Fire Department Board of Lake Odessa Fire Department, we offer readers of the Fire Department's financial statements this narrative overview and analysis of the financial activities of Lake Odessa Fire Department for the fiscal year ended March 31, 2005. This being the initial year of adoption, comparative information is not presented. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Fire Department. We encourage readers to consider this information in conjunction with the letter of transmittal, which begins on page 1, and the financial statements, which begin on page 5.

Financial Highlights

- The assets of Lake Odessa Fire Department exceeded its liabilities at the close of the most recent fiscal year by \$112,743 (net assets). Of this amount, \$16,854 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$104,183.
- As of the close of the current fiscal year, the Fire Department's governmental fund reported an ending fund balance of \$18,913, an increase of \$11,654.

The basic financial statements include information that presents two different views of the Fire Department:

- The first column of the financial statements includes information on the Fire Department's General Fund under the modified accrual method. These Fund Financial Statements focus on current financial resources and provide a more detailed view about the accountability of the Fire Department's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government wide financial statement columns provide both long-term and short-term information about the Fire Department's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Fire Department as a whole and present a longer-term view of the Fire Department's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements can be found on pages 5-6 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 7-11 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Fire Department adopts an annual budget for its general fund. Within the required supplementary information, a budget comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Required supplementary information can be found on page 12 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lake Odessa Fire Department, assets exceeded liabilities by \$112,743 at the close of the most recent fiscal year.

A portion of the Fire Department's net assets (14.95 percent) reflects its unrestricted net assets (\$16,854), which may be used to meet the government's ongoing obligations to citizens and creditors. An additional portion of the Fire Department's net assets (1.83 percent) reflects restricted net assets (\$2,059), which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Fire Department's net assets (83.22 percent) reflects its investment in capital assets (e.g. land, buildings, equipment and furniture and fixtures) (\$93,830). The Fire Department uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Lake Odessa Fire Department's Condensed Financial Data

	Governmental Activities	Total
Current and Other Assets	\$ 18,913	\$ 18,913
Capital Assets	93,830	93,830
Total Assets	112,743	112,743
Liabilities	-	-
Net Assets		
Invested in Capital Assets, Net of Related Debt	93,830	93,830
Restricted	2,059	2,059
Unrestricted	16,854	16,854
Total Net Assets	\$ 112,743	\$ 112,743
Revenues		
Charges for Services	\$ 74,228	\$ 74,228
Federal Grants	93,938	93,938
Interest	226	226
Other Revenue	356	356
Total Revenues	168,748	168,748
Expenses		
Governmental Activities		
Public Safety	64,565	64,565
Total Expenses	64,565	64,565
Change in Net Assets	\$ 104,183	\$ 104,183

At the end of the current fiscal year, the Fire Department is able to report positive balances in all three categories of net assets.

Governmental activities. Governmental activities increased the Fire Department's net assets by \$104,183, mainly due to a FEMA Grant received for new equipment.

Expenses were up considerably in the current year, due to the fact, this was the Fire Department's first full year of operation and the Fire Department was able to spend \$102,316 on equipment from grant money received.

Financial Analysis of the Fire Department's Funds

As noted earlier, the Fire Department used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Fire Department's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Fire Department's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Fire Department's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Fire Department's governmental fund reported an ending fund balance of \$18,913, an increase of \$11,654 in comparison with the prior year. This increase was mainly due to a FEMA Grant received.

The general fund is the only fund of the Fire Department. At the end of the current fiscal year, unreserved fund balance of the general fund was \$16,854 and the total fund balance was \$18,913. Unreserved fund balance represents 10.73% of the total general fund expenditures.

Fire Department Budgetary Highlights

The amended revenue and expense budget as a total changed slightly from the original budget.

During the year, however, revenues exceeded budgetary estimates, and expenditures were less than budgetary estimates.

Capital Assets

The Fire Department's investment in capital assets for its governmental activities as of March 31, 2005, amounts to \$93,830 (net of accumulated depreciation). This investment in capital assets includes: machinery and equipment and data processing equipment.

Major capital asset events during the current fiscal year included replacement of the turnout gear for the firefighters and a mobile cascade breathing system. Details of the Fire Department's capital assets are continued in the notes to the financial statements on page 10.

Economic Factors and Next Year's Budgets and Rates

The Lake Odessa Fire Department believes revenues will remain constant. The majority of the Fire Department's revenue comes from the Village of Lake Odessa and Odessa Township. Expected decreases in 2004-2005 state shared revenues may have an indirect effect on Lake Odessa Fire Department. If the Village and Township receive less state shared revenue, they will have less to spend and may spend less on fire protection. The Lake Odessa Fire Department feels expenses will be up slightly during the next year due to inflation, wage increases, the cost of fuel and energy and the need to replace other failing equipment. Included in the possible replacement of equipment is a new rescue vehicle for medical first responder calls. The current medical first responder vehicle is over 21 years old and has been the cause of high maintenance expenses in the past year. The Lake Odessa Fire Department is exploring alternative financing options for this purchase including a grant/loan opportunity through the USDA, and other sources of funds. Additionally, the Lake Odessa Fire Department has applied for a FEMA grant to purchase a fixed cascade breathing system for use at the fire station. This grant is a 95% (FEMA) grant opportunity with a 5% liability if the application is awarded. The Lake Odessa Fire Department continues to seek out and apply for federal and state grant opportunities when available to defer the costs of replacement/purchase of equipment.

Requests for Information

This financial report is designed to provide a general overview of Lake Odessa Fire Department's finances for all those with an interest in the Fire Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Lake Odessa Fire Department, 3862 Laurel Rd, PO Box 575, Lake Odessa, MI 48849 616-374-4237.

**LAKE ODESSA FIRE DEPARTMENT
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET ASSETS
March 31, 2005**

ASSETS	General Fund Modified Accrual Basis	Adjustments (See Notes)	Statement of Net Assets
Cash and Cash Equivalents	\$ 18,913	\$ (2,059)	\$ 16,854
Restricted Assets	-	2,059	2,059
Capital Assets (Net of Accumulated Depreciation)	-	93,830	93,830
 Total Assets	 <u>\$ 18,913</u>	 <u>93,830</u>	 <u>112,743</u>
 LIABILITIES			
Accounts Payable	\$ -	-	-
 Total Liabilities	 -	 -	 -
 FUND BALANCE / NET ASSETS			
Fund Balances			
Unreserved-Undesignated	16,854	(16,854)	-
Reserved	2,059	(2,059)	-
 Total Fund Balance	 <u>18,913</u>	 <u>(18,913)</u>	 <u>-</u>
 Total Liabilities and Fund Balance	 <u>\$ 18,913</u>		
 Net Assets			
Invested in Capital Assets-Net of Related Debt		93,830	93,830
Restricted for Equipment		2,059	2,059
Unrestricted		<u>16,854</u>	<u>16,854</u>
 Total Net Assets		 <u>\$ 112,743</u>	 <u>\$ 112,743</u>

The Notes to Financial Statements are an integral part of this statement.

LAKE ODESSA FIRE DEPARTMENT
STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
Year Ended March 31, 2005

	General Fund Modified Accrual Basis	Adjustments (See Notes)	Statement of Net Assets
Revenue			
Federal Grants	\$ 93,938	\$ -	\$ 93,938
Charges for Services	74,228	-	74,228
Interest and Rentals	226	-	226
Other Revenue	<u>356</u>	<u>-</u>	<u>356</u>
Total Revenue	<u>168,748</u>	<u>-</u>	<u>168,748</u>
Expenditures			
Wages and Fringes	20,444	-	20,444
Operating Supplies	1,017	-	1,017
Automobile Expenses	1,649	-	1,649
Maintenance Supplies	1,224	-	1,224
Computer Support and Upgrades	540	-	540
Office Supplies	187	-	187
Education and Training	87	-	87
Insurance	15,200	-	15,200
Telephone	700	-	700
Communications	2,079	-	2,079
Professional Fees	2,514	-	2,514
Repairs and Maintenance	4,804	-	4,804
Utilities	4,202	-	4,202
Miscellaneous	131	-	131
Capital Outlay	102,316	(102,316)	-
Depreciation	<u>-</u>	<u>9,787</u>	<u>9,787</u>
Total Expenditures	<u>157,094</u>	<u>(92,529)</u>	<u>64,565</u>
Excess of Revenue Over (Under)			
Expenditures / Change in Net Assets	11,654	92,529	104,183
Fund Balance/Net Assets - Beginning of Year	<u>7,259</u>	<u>1,301</u>	<u>8,560</u>
Fund Balance/Net Assets - End of Year	<u><u>\$ 18,913</u></u>	<u><u>\$ 93,830</u></u>	<u><u>\$ 112,743</u></u>

The Notes to Financial Statements are an integral part of this statement.

**LAKE ODESSA FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Lake Odessa Fire Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Lake Odessa Fire Department:

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Fire Department's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Fire Department's activities

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

REPORTING ENTITY

Lake Odessa Fire Department was organized in 2001 by Odessa Township and the Village of Lake Odessa to provide fire protection to the residents and property owners. The Lake Odessa Fire Department operates under an appointed board of five members. Lake Odessa Fire Department receives 55% of its operating budget from Odessa Township and the remaining 45% from the Village of Lake Odessa. All pre-existing property used by the Fire Department that is titled in the name of Odessa Township or Village of Lake Odessa will remain the property of such entity.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The Fire Department's basic financial statements include both government-wide (reporting the Fire Department as a whole) and fund financial statements (reporting the Fire Department's major funds).

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Fire Department's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses have a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Revenues are primarily derived from charges for services and interest and rentals to provide for the administration and operation of: (1) general Lake Odessa Fire Department governmental departments, boards and commissions; and (2) fire protection.

**LAKE ODESSA FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Fire Department reports the following major governmental funds:

- The General Fund is the Fire Department's primary operating fund. It accounts for all financial resources of the Fire Department.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Restricted Assets - The Fire Department has restricted assets for equipment. By restricting a portion of the fund balance for a specific purpose, the Fire Department has limited the use of the funds for that specific purpose only. The Fire Department Board cannot change the amounts restricted and cannot spend the restricted funds for any other purpose than equipment.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Furniture	10 years
Equipment	7-15 years
Data Processing Equipment	5 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The Fire Department Boards prepares the annual budgets prior to March 31. Budgets for the general fund are adopted at the activity level and reported in the budgetary comparison schedule at the line item level.

During the year ended March 31, 2005, the Fire Department incurred no expenditures in budgeted funds, which were in excess of the amounts appropriated.

**LAKE ODESSA FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by Lake Odessa Fire Department.

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Fire Department to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Department has designated one bank for the deposit of Lake Odessa Fire Department funds.

The Fire Department's deposits and investments are in accordance with statutory authority.

At year-end, the Fire Department's deposits and investments were reported in the basic financial statements in the following categories:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents	\$ 16,854	\$ 16,854
Investments	-	-
Restricted Assets	<u>2,059</u>	<u>2,059</u>
Total	<u><u>\$ 18,913</u></u>	<u><u>\$ 18,913</u></u>

The breakdown between deposits and investments is:

	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	\$ 18,913
Investment in Securities (Mutual Funds and Similar Vehicles)	-
Petty Cash and Cash on Hand	<u>-</u>
Total	<u><u>\$ 18,913</u></u>

At March 31, 2005, the Fire Department had deposits with a carrying amount of \$18,913 and a bank balance of \$25,611. Of the bank balance, \$25,611 is covered by federal depository insurance, \$0 is uninsured and \$0 is collateralized.

**LAKE ODESSA FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

CAPITAL ASSETS

Capital asset activity for the current year was as follows:

	<u>BALANCE 04/01/04</u>	<u>ADDITIONS</u>	<u>RETIRE- MENTS</u>	<u>BALANCE 03/31/05</u>
Capital Assets Being Depreciated				
Equipment	\$ -	\$ 102,316	\$ -	\$ 102,316
Data Processing Equipment	<u>1,301</u>	<u>-</u>	<u>-</u>	<u>1,301</u>
Subtotal	1,301	102,316	-	103,617
Less: Accumulated Depreciation	<u>-</u>	<u>9,787</u>	<u>-</u>	<u>9,787</u>
Capital Assets-Net of Depreciation	<u>\$ 1,301</u>	<u>\$ 92,529</u>	<u>\$ -</u>	<u>\$ 93,830</u>

Depreciation expense was charged to programs as follows:

Governmental Activities:	
Public Safety	<u>\$ 9,787</u>
Total Governmental Activities	<u>\$ 9,787</u>

RISK MANAGEMENT

The Fire Department is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Fire Department manages its risk exposure through a combination of risk management pools and commercial insurance. The Fire Department has insurance provided by an independent insurance company for worker's compensation. Following is a summary of the risk management pool participation.

The Fire Department participates in the Michigan Fire Department Participating Plan (Par Plan) for property, general liability, and employee bond coverage. The Par Plan was established in April 1985, pursuant to laws of the State of Michigan which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Par Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Par Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself in the event a reinsurance becomes uncollectible by purchasing a reinsurance treaty for uncollectible reinsurance.

The Par Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles), which vary from member to member.

At March 31, 2005, there were no claims, which exceeded insurance coverage. The Fire Department had no significant reduction in insurance coverage from previous years.

**LAKE ODESSA FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
March 31, 2005**

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Fire Department's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The following is a reconciliation of fund balance to net assets:

Total Fund Balance - Modified Accrual Basis	\$ 18,913
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Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the funds

Governmental capital assets	\$ 103,617	
Less: Accumulated depreciation	<u>(9,787)</u>	<u>93,830</u>

Net Assets of General Fund - Full Accrual Basis	<u>\$ 112,743</u>
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The following is a reconciliation of the net change in fund balance to the net change in net assets:

Net Change in Fund Balances - Modified Accrual Basis	\$ 11,654
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Amounts reported in the statement of net activities are different because:

Governmental funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is depreciated over their
estimated useful lives

Expenditures for capital assets	\$ 102,316	
Less: Current year depreciation	<u>(9,787)</u>	<u>92,529</u>

Change in Net Assets of General Fund - Full Accrual Basis	<u>\$ 104,183</u>
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LAKE ODESSA FIRE DEPARTMENT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended March 31, 2005

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE WITH AMENDED BUDGET
Beginning of Year Fund Balance	\$ 7,259	\$ 7,259	\$ 7,259	\$ -
Resources (Inflows)				
Federal Grants	93,938	93,938	93,938	-
Charges for Services	74,228	74,232	74,228	(4)
Interest and Rentals	50	50	226	176
Other Revenue	-	-	356	356
Total Resources	<u>168,216</u>	<u>168,220</u>	<u>168,748</u>	<u>528</u>
Charges to Appropriations (Outflows)				
Wages and Fringes	29,100	29,100	20,444	8,656
Operating Supplies	3,000	3,000	1,017	1,983
Automobile Expenses	950	950	1,649	(699)
Maintenance Supplies	1,100	1,100	1,224	(124)
Computer Support and Upgrades	1,400	1,400	540	860
Office Supplies	1,000	1,080	187	893
Education and Training	1,750	1,700	87	1,613
Insurance	14,858	14,858	15,200	(342)
Telephone	600	600	700	(100)
Communications	500	500	2,079	(1,579)
Professional Fees	2,450	2,400	2,514	(114)
Repairs and Maintenance	2,800	2,800	4,804	(2,004)
Utilities	4,000	4,000	4,202	(202)
Miscellaneous	250	270	131	139
Capital Outlay	<u>104,370</u>	<u>104,375</u>	<u>102,316</u>	<u>2,059</u>
Total Charges to Appropriations	<u>168,128</u>	<u>168,133</u>	<u>157,094</u>	<u>11,039</u>
Excess of Resources Over (Under) Appropriations	<u>88</u>	<u>87</u>	<u>11,654</u>	<u>11,567</u>
Budgetary Fund Balance - March 31, 2005	<u>\$ 7,347</u>	<u>\$ 7,346</u>	<u>\$ 18,913</u>	<u>\$ 11,567</u>